

Financial Report

*Second Harvest Food Bank of
Greater New Orleans and Acadiana*

June 30, 2012



Second Harvest Food Bank
Greater New Orleans and Acadiana

Under provisions of state law, this record is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: JAN 08 2013

Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Archbishop or Administrator of the
Archdiocese of New Orleans, and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"), a non-profit organization, as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Second Harvest's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Second Harvest as of June 30, 2011, were audited by other auditors whose report dated December 5, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Harvest as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2012 on our consideration of Second Harvest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Second Harvest taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information in the schedule of support, revenue and expenses prepared for the United Way for the Greater New Orleans Area, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on the supplemental information. The accompanying supplemental information is not intended to present Second Harvest's financial position or results of operations. The accompanying Schedules 1 through 3 were audited by other auditors whose report dated December 5, 2011, expressed an unqualified opinion on those schedules.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
December 17, 2012.

STATEMENTS OF FINANCIAL POSITION**Second Harvest Food Bank of Greater New Orleans and Acadiana**

June 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 1,586,143	\$ 2,842,415
Contributions receivable:		
Pledges	728,090	704,532
United Way	198,764	207,277
Grants receivable	297,645	202,005
Other receivables	33,175	41,170
Prepaid expenses	84,547	67,747
Investments	1,697,185	1,610,476
Inventory	<u>1,632,183</u>	<u>4,315,926</u>
Total current assets	6,257,732	9,991,548
Noncurrent Assets:		
Pledges receivable, noncurrent	128,925	116,910
Property and equipment - net	10,916,313	10,363,768
Investments, permanently restricted	1,141,004	1,209,281
Other assets	<u>38,482</u>	<u>48,105</u>
Total assets	<u>\$ 18,482,456</u>	<u>\$ 21,729,612</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 611,614	\$ 985,119
Unemployment accrual	1,359	10,612
Note payable, current	177,734	167,581
Other liabilities	<u>25,006</u>	<u>25,006</u>
Total current liabilities	815,713	1,188,318
Noncurrent Liabilities:		
Note payable, net of current maturities	<u>4,706,545</u>	<u>4,883,684</u>
Total liabilities	<u>5,522,258</u>	<u>6,072,002</u>
Net Assets:		
Unrestricted:		
Undesignated	8,691,112	11,164,008
Designated	<u>2,347,000</u>	<u>2,347,000</u>
	11,038,112	13,511,008
Temporarily restricted	781,082	937,321
Permanently restricted	<u>1,141,004</u>	<u>1,209,281</u>
Total net assets	<u>12,960,198</u>	<u>15,657,610</u>
Total liabilities and net assets	<u>\$ 18,482,456</u>	<u>\$ 21,729,612</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues and Other Support				
Public support:				
Contributions, donations and grants	\$ 5,753,339	\$ 577,426		\$ 6,330,765
Donations of food, grocery and other products from producers and brokers	28,112,450			28,112,450
Contributed goods and services	127,000			127,000
United Way				
Greater New Orleans:				
Allocations		51,750		51,750
Designations	59,484			59,484
Combined Federal Campaign	45,994			45,994
Acadiana:				
Allocations	28,673	36,859		65,532
St. Charles:				
Allocations		100,650		100,650
Special events (net of direct costs of \$355,266)	229,850			229,850
Total public support	<u>34,356,790</u>	<u>766,685</u>	<u>-</u>	<u>35,123,475</u>
Governmental financial assistance:				
Fees and grants from federal agencies	477,081			477,081
U.S.D.A. commodities	6,141,293			6,141,293
U.S.D.A. administration	329,897			329,897
Non-Federal grants	98,042			98,042
Total governmental financial assistance	<u>7,046,313</u>	<u>-</u>	<u>-</u>	<u>7,046,313</u>
Other Revenue				
Program generated	262,604			262,604
Investment income	34,920		\$ 10,502	45,422
Rental income	406,500			406,500
Other	340,182			340,182
Net assets released from restrictions	1,001,703	(922,924)	(78,779)	-
Total other revenue	<u>2,045,909</u>	<u>(922,924)</u>	<u>(68,277)</u>	<u>1,054,708</u>
Total revenue	<u>43,449,012</u>	<u>(156,239)</u>	<u>(68,277)</u>	<u>43,224,496</u>
Expenses				
Program services	43,229,269			43,229,269
Management and general	923,361			923,361
Fundraising	1,769,278			1,769,278
Total expenses	<u>45,921,908</u>	<u>-</u>	<u>-</u>	<u>45,921,908</u>
Change in net assets	(2,472,896)	(156,239)	(68,277)	(2,697,412)
Net Assets				
Beginning of year	<u>13,511,008</u>	<u>937,321</u>	<u>1,209,281</u>	<u>15,657,610</u>
End of year	<u>\$ 11,038,112</u>	<u>\$ 781,082</u>	<u>\$ 1,141,004</u>	<u>\$ 12,960,198</u>

See notes to financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues and Other Support				
Public support:				
Contributions, donations and grants	\$ 4,536,129	\$ 598,035		\$ 5,134,164
Donations of food, grocery and other products from producers and brokers	33,404,837			33,404,837
Contributed goods and services	508,688			508,688
United Way				
Greater New Orleans:				
Allocations		98,603		98,603
Designations	53,751			53,751
Combined Federal Campaign	41,702			41,702
Acadiana:				
Allocations	32,357			32,357
St. Charles:				
Allocations		100,650		100,650
Special events (net of direct costs of \$365,575)	183,326			183,326
Total public support	38,760,790	797,288	-	39,558,078
Governmental financial assistance:				
Fees and grants from federal agencies	234,686			234,686
U.S.D.A. commodities	12,196,349			12,196,349
U.S.D.A. administration	678,001			678,001
Non-Federal grants	1,278,373			1,278,373
Total governmental financial assistance	14,387,409	-	-	14,387,409
Other Revenue				
Program generated	179,310			179,310
Investment income	306,761		\$ 209,281	516,042
Rental income	394,950			394,950
Other	424,916			424,916
Net assets released from restrictions	2,683,781	(2,683,781)		-
Total other revenue	3,989,718	(2,683,781)	209,281	1,515,218
Total revenue	57,137,917	(1,886,493)	209,281	55,460,705
Expenses				
Program services	50,218,371			50,218,371
Management and general	1,171,562			1,171,562
Fundraising	1,647,903			1,647,903
Total expenses	53,037,836	-	-	53,037,836
Change in net assets	4,100,081	(1,886,493)	209,281	2,422,869
Net Assets				
Beginning of year	9,410,927	2,823,814	1,000,000	13,234,741
End of year	\$ 13,511,008	\$ 937,321	\$ 1,209,281	\$ 15,657,610

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 2,129,235	\$ 576,985	\$ 660,831	\$ 3,367,051
Employee benefits	281,057	91,484	94,635	467,176
Payroll taxes	159,085	41,959	46,861	247,905
Total salaries and related expenses	2,569,377	710,428	802,327	4,082,132
Food distribution and procurement	37,937,890			37,937,890
Transportation and freight	697,743	2,449	1,738	701,930
Mailings and solicitations	84,923		606,659	691,582
Depreciation	474,628	1,805	85,442	561,875
Occupancy	481,971	584		482,555
Professional fees and contract services	132,449	76,523	141,368	350,340
Personnel recruitment and development	159,215	53,343	18,785	231,343
Other operating expenses	124,269	40,511	57,780	222,560
Interest expense on mortgage	213,453			213,453
Supplies	143,964	19,844	22,929	186,737
Insurance	135,521			135,521
Equipment expense	73,866	17,874	32,250	123,990
Total expenses	<u>\$ 43,229,269</u>	<u>\$ 923,361</u>	<u>\$ 1,769,278</u>	<u>\$ 45,921,908</u>

See notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 1,957,501	\$ 647,648	\$ 526,216	\$ 3,131,365
Employee benefits	225,210	72,935	51,538	349,683
Payroll taxes	142,739	46,081	36,968	225,788
Total salaries and related expenses	2,325,450	766,664	614,722	3,706,836
Food distribution and procurement	44,446,250			44,446,250
Transportation and freight	855,443	3,920	5,556	864,919
Mailings and solicitations	113,425	593	721,109	835,127
Occupancy	652,396	3,491	22,376	678,263
Professional fees and contract services	124,242	160,895	184,983	470,120
Depreciation	438,107	2,065	10,785	450,957
Equipment expense	274,052	77,023	29,246	380,321
Interest expense on mortgage	334,551			334,551
Personnel recruitment and development	180,296	85,159	27,704	293,159
Other operating expenses	189,099	63,095	1,394	253,588
Supplies	160,752	8,657	30,028	199,437
Insurance	124,308			124,308
Total expenses	<u>\$ 50,218,371</u>	<u>\$ 1,171,562</u>	<u>\$ 1,647,903</u>	<u>\$ 53,037,836</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (2,697,412)	\$ 2,422,869
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	561,875	450,957
Unrealized and realized (gain) loss on investments, net	48,140	(420,967)
Contributions of property and equipment	(304,648)	-
Changes in assets and liabilities:		
Receivables and pledges	(114,705)	(101,173)
Other assets	9,623	460,310
Prepaid expenses	(16,800)	49,973
Inventory	2,683,743	(2,012,126)
Accounts payable and accrued expenses	(373,505)	353,236
Unemployment reserve	(9,253)	(9,884)
Other liabilities	-	(32,149)
	<u>(212,942)</u>	<u>1,161,046</u>
Net cash provided by (used in) operating activities		
	<u>(212,942)</u>	<u>1,161,046</u>
Cash Flows From Investing Activities		
Purchase of investments, net	(66,572)	(60,157)
Purchases of property and equipment	(809,772)	(2,764,149)
	<u>(876,344)</u>	<u>(2,824,306)</u>
Net cash used in investing activities		
	<u>(876,344)</u>	<u>(2,824,306)</u>

Exhibit D
(Continued)

	<u>2012</u>	<u>2011</u>
Cash Flows From Financing Activities		
Proceeds from notes payable	-	10,207,996
Principal payments on notes payable	<u>(166,986)</u>	<u>(10,276,116)</u>
Net cash used in financing activities	<u>(166,986)</u>	<u>(68,120)</u>
Net Decrease in Cash	(1,256,272)	(1,731,380)
Cash		
Beginning of year	<u>2,842,415</u>	<u>4,573,795</u>
End of year	<u>\$ 1,586,143</u>	<u>\$ 2,842,415</u>
Supplemental Disclosure for Cash Flow Information		
Cash paid during the year for interest	<u>\$ 213,453</u>	<u>\$ 334,551</u>
Non-Cash Investing Activities:		
Acquisition of property and equipment by donation	<u>\$ 304,648</u>	<u>\$ -</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Second Harvest Food Bank of Greater New Orleans and Acadiana**

June 30, 2012 and 2011

Note 1 - NATURE OF ACTIVITIES

Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"), a Louisiana non-profit corporation, is a certified member of Feeding America. Its function is to help relieve the problem of hunger in South Louisiana through the distribution of food and related products to qualified charitable institutions. The Archbishop or Administrator of the Archdiocese of New Orleans (the "Archdiocese") is the sole member of Second Harvest. The Second Harvest Articles of Incorporation were amended and recorded in the Office of the Secretary of State for the State of Louisiana on July 29, 2011. Specifically, Article VI was amended, changing the sole member of the corporation from Catholic Charities Archdiocese of New Orleans to the Archbishop or Administrator of the Archdiocese of New Orleans.

Second Harvest 700 Edwards, LLC ("Second Harvest LLC") was incorporated as a non-profit limited liability company in accordance with the Delaware Limited Liability Company Act, as amended, on December 29, 2009. Second Harvest is the sole equity member. Second Harvest LLC ceased operations in January 2011.

The 2011 consolidated financial statements include the financial statements of Second Harvest and its controlled subsidiary, Second Harvest LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Basis of Accounting**

The financial statements of Second Harvest are prepared on the accrual basis of accounting.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

c. Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, Second Harvest considers all unrestricted, highly liquid, short-term investments, including money market account deposits, commercial paper investments and certificates of deposit purchased with an initial maturity of ninety days or less to be cash equivalents.

d. Allowance for Doubtful Accounts

Second Harvest uses the reserve method to recognize uncollectible accounts. The reserve is based on management's assessment of the collectability of specific accounts. Management monitors outstanding receivable balances and charges off to bad debt expense any balances that are determined to be uncollectible. As of June 30, 2012 and 2011, there was no reserve for bad debts.

e. Investments

Second Harvest records investments in the investment pool, marketable securities with readily determinable fair values and investments in debt securities at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Unrealized gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Interest earned on donor restricted investments is reported based on the existence or absence of donor-imposed restrictions. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to the change in net assets and the establishment of a new cost basis for the investment.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Inventory

Second Harvest's inventory is comprised of donated food and grocery products, U.S.D.A. commodities and purchased food and grocery products. Donated food and U.S.D.A. commodities inventory including food received, distributed and undistributed, is valued using the estimated fair value as determined by the Feeding America Product Valuation Survey prepared by KPMG, LLP on an annual basis. The report provides the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. The average wholesale value used was \$1.66 per pound for both years ended June 30, 2012 and 2011.

Purchased food inventory is recorded at cost. As of June 30, 2012, there was no obsolete inventory.

g. Property and Equipment

Second Harvest has adopted the policy of capitalizing all expenditures for depreciable assets where the unit cost exceeds \$2,000. Property is stated at cost, or at fair market value on the date of donation for donated assets. Depreciation of these assets is provided over their estimated useful lives, which ranges from three years to twenty-five years, on a straight-line basis. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized.

For the years ended June 30, 2012 and 2011, depreciation expense totaled \$561,875 and \$450,957, respectively.

h. Financial Statement Presentation

Net assets are included in one of the following three classes of net assets, depending on the presence and type of donor-imposed restrictions.

Unrestricted Net Assets - Those net assets whose use is not restricted by donors. As of June 30, 2012 and 2011, the Board of Directors of Second Harvest (the "Board") has designated \$2,347,000, included in unrestricted net assets, for food purchases and toward a capital campaign to raise funds for a new warehouse.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by Second Harvest.

i. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restrictions. Other support and/or contributions not restricted are recorded as unrestricted revenue. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support. The value of contributed goods and services has been recorded as support and revenue and expense in the period received, provided there is an objective basis for measurement of the value of such goods and services, and they are significant and form an integral part of the efforts of the program.

Contributions receivable are recognized when the donor makes a promise to give to Second Harvest that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give as of June 30, 2012 and 2011.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. During the year ended June 30, 2012, Second Harvest recognized \$304,648 for donated vehicles. For the year ended June 30, 2011, Second Harvest recognized \$253,688 for donated items such as software, kitchen equipment, and infrastructure implementation.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Functional Allocation of Expenses

The costs of providing the various programs and supporting services are summarized on a functional basis in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

k. Donated Services

Support arising from donated services is recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

During the years ended June 30, 2012 and 2011, Second Harvest recognized approximately \$127,000 and \$255,000 for donated advertising services. The related advertising costs were expensed as incurred.

The donated volunteer services in Second Harvest's functional areas were approximately 49,907 hours for the year ended June 30, 2012 and 32,467 hours for the year ended June 30, 2011. The services provided for the years ended June 30, 2012 and 2011 do not meet either criterion described above. The computation of the value of these services represents the amount of compensation, which would be paid if non-volunteer personnel were to occupy these positions. The 49,907 hours in 2012 and 32,467 hours in 2011 that do not meet either of the recognition criteria described above have not been recognized in the accompanying financial statements. The value for donated volunteer services for the years ended June 30, 2012 and 2011 was approximately \$1,087,500 and \$693,500, respectively.

l. Income Taxes

Second Harvest is a not-for-profit corporation organized under the laws of the State of Louisiana and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Income Taxes (Continued)

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended June 30, 2009 and later remain subject to examination by the taxing authorities. As of June 30, 2012, management of Second Harvest believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

m. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 17, 2012, which is the date the financial statements were available to be issued.

n. Reclassification

Certain 2011 balances have been reclassified to conform with the 2012 presentation.

Note 3 - GRANTS RECEIVABLE

The grants receivable balance as of June 30, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
U.S.D.A. distribution fees	\$ 9,008	\$ 51,583
Lafayette City Parish Consolidated Government	2,412	-
Department of Children and Family Services	60,039	-
Department of Education - Summer Food Service Program	<u>226,186</u>	<u>150,422</u>
Totals	<u>\$ 297,645</u>	<u>\$ 202,005</u>

Note 4 - PLEDGES RECEIVABLE

Promises of donors to make contributions to Second Harvest are included in the financial statements as pledges receivable and contributions after discounting projected future cash flows to present value using a discount rate of 5%.

Pledges receivable as of June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Baptist Community Ministries	\$ 3,000	\$ 60,000
Capital campaign	283,882	157,669
Chevron	30,000	-
Community Foundation of Acadiana	116,689	-
Feeding America	44,712	150,000
Freeport McMoran Copper & Gold Foundation	19,000	-
Junior League of New Orleans	30,000	100,000
Louisiana Food Bank Association	100,000	-
Methodist Health Systems Foundation	125,000	125,000
Other	91,940	166,273
Share Our Strength	<u>35,000</u>	<u>62,500</u>
	879,223	821,442
Less unamortized discount	<u>(22,208)</u>	<u>-</u>
Totals	<u><u>\$ 857,015</u></u>	<u><u>\$ 821,442</u></u>

Pledges receivable as of June 30, 2012 are expected to be collected in the following periods:

In less than one year	\$ 728,090
One to five years	<u>151,133</u>
Total	<u><u>\$ 879,223</u></u>

Note 5 - INVESTMENTS

Investments of the various agencies of the Archdiocese of New Orleans (the "Archdiocese") are held in pooled assets and separately invested portfolios. Pooled assets represent funds that are invested in a commingled portfolio of investments, as opposed to separately invested assets. Investments in such pooled assets consist primarily of debt and equity securities and mutual fund investments. The amounts recorded in the Statements of Financial Position represent Second Harvest's share of the pool.

Note 5 - INVESTMENTS (Continued)

The following summarizes the market value of investments and the investment return for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Investment balances	<u>\$ 2,838,189</u>	<u>\$ 2,819,757</u>
Unrealized gain (loss) on investments	(51,502)	423,966
Realized gain (loss) on investments	<u>3,362</u>	<u>(2,999)</u>
	(48,140)	420,967
Interest and dividend income	<u>93,562</u>	<u>95,075</u>
Investment income	<u>\$ 45,422</u>	<u>\$ 516,042</u>

The current and long-term value of investments as of June 30, 2012 is \$1,697,185 and \$1,141,004, respectively. The current and long-term value of investments as of June 30, 2011 is \$1,610,476 and \$1,209,281, respectively.

Note 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America ("GAAP") defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments. GAAP establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs.

Note 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investments of Second Harvest are held in pooled accounts and separately invested portfolios. Second Harvest's investments are in Portfolio A of the pool. The investment pool is included in Level 2 of the fair value hierarchy as the investment pool is valued using the net asset value as reported by the custodian. The net asset values are determined based on the fair values of the underlying investments. The custodian of this portfolio uses independent pricing services, where available, to value the securities included in this portfolio. If an independent pricing service does not value a security or the value is not, in the view of the custodian, representative of the market value, the custodian will attempt to obtain a price quote from a secondary pricing source, which may include third party brokers, investment advisers, and principal market makers or affiliated pricing services. If a secondary source is unable to provide a price, the custodian may obtain a quotation from the counterparty that sold the security.

The following is a description of the valuation methodologies used by the custodian for the investment pool measured at fair value. There have been no changes in the methodologies used as of June 30, 2012 and 2011.

Government obligations and corporate stocks - Valued at the closing price reported on the active market on which the individual securities are traded.

Money market funds, mutual funds, and exchange traded funds - Valued at quoted market prices, which represent the net asset value per unit.

Government agency mortgage obligations, municipal obligations, corporate and foreign obligations, collateralized mortgage obligations, and asset-backed securities - Valued by independent pricing vendors used by the other custodians of the investments. The pricing vendor uses various pricing models for each asset class that are consistent with what other market participants would use. The inputs and assumptions to the models used by the pricing vendors are derived from market observable sources including benchmark yields, reported trades, broker/dealer quotes, and other market related data. Since many of these fixed income securities do not trade on a daily basis, the methodology of the pricing vendor uses available information including benchmark curves, benchmarking of like securities, and matrix pricing.

Common trust and commingled funds, segregated portfolio companies, and limited partnerships - Valued, as a practical expedient, using the net asset values reported by the investee. The net asset values are determined based on the fair values of the underlying investments of the funds or partnerships.

Note 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2012 and 2011 are comprised of and determined as follows:

Description	2012			
	Based on			
	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Archdiocese of New Orleans Investment Pool	<u>\$ 2,838,189</u>	<u>\$ -</u>	<u>\$ 2,838,189</u>	<u>\$ -</u>
Description	2011			
	Based on			
	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Archdiocese of New Orleans Investment Pool	<u>\$ 2,819,757</u>	<u>\$ -</u>	<u>\$ 2,819,757</u>	<u>\$ -</u>

As of June 30, 2012 and 2011, there were no assets measured at fair value on a non-recurring basis.

Note 7 - INVENTORY

Undistributed food and grocery products as of June 30, 2012 and 2011 consist of the following:

	2012		2011	
	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>
Donated and purchased	\$ 1,382,187	876,174	\$ 3,295,073	1,990,143
U.S.D.A. commodities	<u>249,996</u>	<u>150,600</u>	<u>1,020,853</u>	<u>614,971</u>
Total	<u>\$ 1,632,183</u>	<u>1,026,774</u>	<u>\$ 4,315,926</u>	<u>2,605,114</u>

Note 8 - SECOND HARVEST FOOD AND GROCERY PRODUCTS RECEIVED AND DISTRIBUTED

Second Harvest receipts and distribution of food and grocery products for the years ended June 30, 2012 and 2011 were as follows:

	2012		2011	
	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>
Receipts:				
Donated product	\$ 28,112,450	16,935,211	\$ 33,404,837	20,123,396
Purchased product	590,850	967,785	918,679	630,759
U.S.D.A. commodities	<u>6,141,293</u>	<u>3,699,574</u>	<u>12,196,349</u>	<u>7,347,198</u>
Totals	<u>\$ 34,844,593</u>	<u>21,602,570</u>	<u>\$ 46,519,865</u>	<u>28,101,353</u>
Distributions,				
net of adjustments:				
Donated product	\$ 30,168,594	18,173,852	\$ 31,825,509	19,210,379
Purchased product	483,118	803,197	917,398	626,733
U.S.D.A. commodities	<u>6,912,148</u>	<u>4,163,945</u>	<u>11,764,832</u>	<u>7,100,562</u>
Totals	<u>\$ 37,563,860</u>	<u>23,140,994</u>	<u>\$ 44,507,739</u>	<u>26,937,674</u>

Note 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Building and improvements	\$ 7,665,868	\$ 6,890,753
Land	1,960,000	1,960,000
Vehicles	1,713,751	1,282,575
Furniture, fixtures and equipment	1,284,890	1,119,491
Construction in progress	377,084	712,181
Leasehold improvements	<u>36,549</u>	<u>36,549</u>
	13,038,142	12,001,549
Less: accumulated depreciation	<u>(2,121,829)</u>	<u>(1,637,781)</u>
Total	<u><u>\$ 10,916,313</u></u>	<u><u>\$ 10,363,768</u></u>

Note 10 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, to assist specific departments of Second Harvest, or designated for subsequent periods. These restrictions are considered to expire when expenditures for restricted purposes are made or when contribution in subsequent periods are received.

Temporarily restricted net assets as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Other private grants	\$ 520,212	\$ 442,671
United Way grants	197,259	202,650
Backpack grants	63,611	142,000
Feeding America grant	<u>-</u>	<u>150,000</u>
Total	<u><u>\$ 781,082</u></u>	<u><u>\$ 937,321</u></u>

Note 10 - RESTRICTIONS ON NET ASSETS (Continued)

The following temporarily restricted net assets were released during the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Other private grants	\$ 315,774	\$ 1,226,424
Backpack grants	142,000	158,570
United Way grants	202,650	149,151
Property and equipment	112,500	-
Feeding America grant	150,000	14,876
Capital campaign	<u>-</u>	<u>1,134,760</u>
Totals	<u>\$ 922,924</u>	<u>\$ 2,683,781</u>

Permanently restricted net assets consist of endowment fund assets (Note 11) to be held indefinitely.

Note 11 - ENDOWMENT

The Board of Directors (the "Board") of Second Harvest is of the belief that they have a strong fiduciary duty to manage the assets of Second Harvest's endowments in the most prudent manner possible. The Board recognizes that the intent of the endowment is to protect the donor with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in unrestricted net assets.

The Endowments. The Second Harvest's endowment fund consists of a permanently restricted fund established for the purpose of generating income to support general operations. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During the year ended June 30, 2000, the donor amended the "Agreement to Donate" dated August 26, 1997, which revised the method of distributing the earnings to Second Harvest, whereby 5% of the average market value of the investment for the last twelve fiscal quarters is allowed to be distributed annually to Second Harvest. All amounts in excess of the 5% distribution are to be reinvested as corpus. The amended "Agreement to Donate" also required that the principal balance should never be reduced below \$1,000,000.

Note 11 - ENDOWMENT (Continued)

Interpretation of Relevant Law. Second Harvest has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as expressly requiring the preservation of the historical dollar value for donor restricted endowment funds absent explicit donor stipulations to the contrary.

The following are classified as permanently restricted net assets in the accompanying financial statements.

- the original value of gifts donated to the permanent endowment;
- the original value of subsequent gifts to the permanent endowment; and
- accumulations to the permanent endowment, made in accordance with donor's amended "Agreement to Donate"

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Second Harvest considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Second Harvest and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Second Harvest
- The investment policies of Second Harvest

Endowment net asset composition as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Donor-restricted	<u>\$ 1,141,004</u>	<u>\$ 1,209,281</u>

Note 11 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

	2012		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,			
Beginning of year	\$ 437,970	\$ 1,209,281	\$ 1,647,251
Net realized and			
unrealized gains	5,922	13,155	19,077
Fees	(9,004)	(2,653)	(11,657)
Transfers	78,779	(78,779)	-
Endowment net assets,			
End of year	<u>\$ 513,667</u>	<u>\$ 1,141,004</u>	<u>\$ 1,654,671</u>
	2011		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,			
Beginning of year	\$ 368,918	\$ 1,000,000	\$ 1,368,918
Net realized and			
unrealized gains	72,349	218,219	290,568
Fees	(3,297)	(8,938)	(12,235)
Endowment net assets,			
End of year	<u>\$ 437,970</u>	<u>\$ 1,209,281</u>	<u>\$ 1,647,251</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires Second Harvest to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. There were no such deficiencies in permanently restricted net assets as of June 30, 2012 and 2011.

Return Objectives and Risk Parameters. Second Harvest has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

Note 11 - ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives. The endowment's assets are invested in the Archdiocese of New Orleans' investment pool, as previously described. Second Harvest's spending and investment policies work together to achieve this objective.

Spending Policy and How Investment Objectives Relate to the Spending Policy. Spending is approved by the Board, based on the needs of Second Harvest.

Note 12 - NOTES PAYABLE

Second Harvest acquired property valued at approximately \$7,000,000 with the related mortgage payable of approximately \$5,200,000 in exchange for property with a net book value of approximately \$1,300,000, resulting in a gain of approximately \$500,000, which was recognized in the Consolidated Statement of Activities for the year ended June 30, 2011. The debt matured on January 5, 2011.

On January 5, 2011, Second Harvest signed a promissory note with the Archdiocese to borrow \$5,107,996 at a rate of 4.2%. The proceeds were used to pay off the mortgage described above. The note was repaid on January 21, 2011 with proceeds of a mortgage loan as described in the following paragraph.

On January 21, 2011, Second Harvest entered into a mortgage loan agreement totaling \$5,100,000. The loan is payable in monthly principal and interest amounts of \$31,703 at an interest rate of 4.22% beginning March 2011 through January 2016 with all remaining principal and interest due February 2016. The loan is collateralized by land, building and improvements. The loan balance as of June 30, 2012 and 2011 was \$4,884,279 and \$5,051,265, respectively. Future principal and interest payments to be made on the note are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 177,734	\$ 202,705	\$ 380,439
2014	185,381	195,058	380,439
2015	193,358	187,082	380,440
2016	<u>4,327,806</u>	<u>120,121</u>	<u>4,447,927</u>
	<u>\$ 4,884,279</u>	<u>\$ 704,966</u>	<u>\$ 5,589,245</u>

Note 13 - RETIREMENT PLAN

Second Harvest offers a 401(k) defined contribution plan for its employees. Employees electing to participate in the plan are required to contribute a minimum of 3% of their salaries, and may elect to contribute up to a 16% maximum. The plan requires Second Harvest to contribute 3.5% of the participants' salaries. The plan administrator is the Archdiocese. Second Harvest contributed \$93,714 and \$85,710, for the years ended June 30, 2012 and 2011, respectively.

Note 14 - LEASES

Second Harvest as Lessee

Second Harvest leases warehouse and office space in Lafayette under an operating lease. The lease agreement was extended on October 1, 2011 through December 31, 2011. Monthly payments on the lease are \$9,662. The lease has not been extended subsequent to December 31, 2011. Second Harvest is currently operating on a month-to-month lease. Rent expense for the years ended June 30, 2012 and 2011 was approximately \$116,000 and \$136,000, respectively.

Second Harvest as Lessor

Second Harvest leases approximately 86,000 square feet of warehouse space in New Orleans. The lease term was extended from May 14, 2012 to May 14, 2013 with an option to extend the lease for three consecutive terms. Monthly lease payments are approximately \$34,000. Rental income was approximately \$406,500 and \$395,000 for the years ended June 30, 2012 and 2011, respectively. Future minimum lease payments due in the year ending June 30, 2013 are approximately \$374,000.

Note 15 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended June 30, 2012 and 2011, \$6,471,190 and \$12,874,350, respectively, of Second Harvest's governmental financial assistance was from the U.S. Department of Agriculture. Management believes that Second Harvest is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 16 - RISK MANAGEMENT

Second Harvest is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2012 and 2011.

Note 17 - CONCENTRATIONS OF CREDIT RISK

As of June 30, 2012 and 2011, Second Harvest had bank accounts at one financial institution which exceeded the limit insured by the Federal Deposit Insurance Corporation by approximately \$532,000 and \$1,620,000, respectively.

Note 18 - RISKS AND UNCERTAINTIES

Investment securities are exposed to various risks, such as interest rate, currency, credit, and market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by Second Harvest.

Note 19 - BOARD OF DIRECTORS COMPENSATION

The members of Second Harvest's Board were not compensated during the years ended June 30, 2012 and 2011.

Note 20 - RELATED PARTY TRANSACTIONS

The Archdiocese, through the operations of the Administrative Offices, serves as a conduit in providing insurance coverage to Second Harvest. The Administrative Office assesses premiums to Second Harvest based on relevant factors for each type of coverage. In the normal course of operations, the Archdiocese will make available to Second Harvest specific assistance in the form of internet services. Second Harvest is assessed separately for this assistance.

Note 20 - RELATED PARTY TRANSACTIONS (Continued)

Second Harvest paid the Archdiocese \$185,470 and \$144,042 for general liability, property coverage, workmen's compensation and vehicle insurances and \$11,858 and \$15,160 for internet services secured on its behalf for the years ended June 30, 2012 and 2011, respectively. Certain accounting and administrative services were provided to Second Harvest by Catholic Charities during the year ended June 30, 2011, including human resources, payroll, and information technology. Second Harvest paid Catholic Charities \$38,174 for these services for the year ended June 30, 2011. These services were not required for the year ended June 30, 2012.

As described in Note 12, on January 5, 2011, Second Harvest signed a promissory note with the Archdiocese to borrow \$5,107,996 at a rate of 4.2%. The proceeds were used to pay off a mortgage loan. The promissory note, including interest of \$9,404, was repaid in full on January 21, 2011, with proceeds of a new mortgage loan.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION***Second Harvest Food Bank of Greater New Orleans and Acadiana***

For the year ended June 30, 2011

ASSETS

	<u>Second Harvest</u>	<u>LANIAP</u>	<u>Eliminations</u>	<u>Totals</u>
Current Assets:				
Cash and cash equivalents	\$ 2,842,415	\$ -	\$ -	\$ 2,842,415
Contributions receivable:				
Pledges	704,532	-	-	704,532
United Way	207,277	-	-	207,277
Grants receivable	202,005	-	-	202,005
Other receivable	41,170	-	-	41,170
Prepaid expenses	67,747	-	-	67,747
Investments	1,610,476	-	-	1,610,476
Inventory	4,315,926	-	-	4,315,926
Total current asset	9,991,548	-	-	9,991,548
Noncurrent Assets:				
Pledges receivable, noncurrent	116,910	-	-	116,910
Property and equipment - net	10,363,768	-	-	10,363,768
Investments, permanently restricted	1,209,281	-	-	1,209,281
Other assets	48,105	-	-	48,105
Total assets	\$ 21,729,612	\$ -	\$ -	\$ 21,729,612

LIABILITIES AND NET ASSETS

Current Liabilities:				
Accounts payable and accrued expenses	\$ 985,119	\$ -	\$ -	\$ 985,119
Unemployment accrual	10,612	-	-	10,612
Note payable, current	167,581	-	-	167,581
Lease deposits	25,006	-	-	25,006
Total current liabilities	1,188,318	-	-	1,188,318
Noncurrent liabilities				
Note payable, long-term	4,883,684	-	-	4,883,684
Total liabilities	6,072,002	-	-	6,072,002
Net Assets:				
Unrestricted:				
Undesignated	11,164,008	-	-	11,164,008
Designated	2,347,000	-	-	2,347,000
	13,511,008	-	-	13,511,008
Temporarily restricted	937,321	-	-	937,321
Permanently restricted	1,209,281	-	-	1,209,281
Total net assets	15,657,610	-	-	15,657,610
Total liabilities and net assets	\$ 21,729,612	\$ -	\$ -	\$ 21,729,612

CONSOLIDATING STATEMENT OF ACTIVITIES

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2011

	Second Harvest without LANIAP			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and Other Support				
Public support:				
Contributions, donations and grants	\$ 4,536,129	\$ 598,035	\$ -	\$ 5,134,164
Donations of food, grocery and other products from producers and brokers	33,404,837	-	-	33,404,837
Contributed goods and services	508,688	-	-	508,688
United Way				
Greater New Orleans:				
Allocations	-	98,603	-	98,603
Designations	53,751	-	-	53,751
Combined Federal Campaign	41,702	-	-	41,702
Acadiana:				
Allocations	32,357	-	-	32,357
St. Charles:				
Allocations	-	100,650	-	100,650
Special events (net of direct costs of \$365,575)	183,326	-	-	183,326
Total public support	38,760,790	797,288	-	39,558,078
Governmental financial assistance:				
Fees and grants from federal agencies	234,686	-	-	234,686
U.S.D.A. commodities	12,196,349	-	-	12,196,349
U.S.D.A. administration	678,001	-	-	678,001
Other non-Federal grants	1,278,373	-	-	1,278,373
Total governmental financial assistance	14,387,409	-	-	14,387,409
Other Revenue				
Program generated	179,310	-	-	179,310
Investment income	305,840	-	209,281	515,121
Rental income	202,050	-	-	202,050
Other	449,216	-	-	449,216
Earnings in Second Harvest LLC	39,226	-	-	39,226
Net assets released from restrictions	2,683,781	(2,683,781)	-	-
Total other revenue	3,859,423	(2,683,781)	209,281	1,384,923
Total revenue	57,007,622	(1,886,493)	209,281	55,330,410
Expenses				
Program services	50,088,076	-	-	50,088,076
Management and general	1,171,050	-	-	1,171,050
Fundraising	1,647,903	-	-	1,647,903
Total expenses	52,907,029	-	-	52,907,029
Change in net assets	4,100,593	(1,886,493)	209,281	2,423,381
Net Assets				
Beginning of year	9,410,415	2,823,814	1,000,000	13,234,229
Transfers				-
End of year	\$ 13,511,008	\$ 937,321	\$ 1,209,281	\$ 15,657,610

* Second Harvest LLC consolidated into Second Harvest on January 31, 2011. These columns represent activities from July 1, 2010 through January 31, 2011.

** Second Harvest ended its fiscal agent relationship on June 30, 2010.

LANIAP**	Second Harvest LLC *	Eliminations	Totals			
			Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
\$ -	\$ -	\$ -	\$ 4,536,129	\$ 598,035	\$ -	\$ 5,134,164
-	-	-	33,404,837	-	-	33,404,837
-	-	-	508,688	-	-	508,688
-	-	-	-	98,603	-	98,603
-	-	-	53,751	-	-	53,751
-	-	-	41,702	-	-	41,702
-	-	-	32,357	-	-	32,357
-	-	-	-	100,650	-	100,650
-	-	-	183,326	-	-	183,326
-	-	-	38,760,790	797,288	-	39,558,078
-	-	-	234,686	-	-	234,686
-	-	-	12,196,349	-	-	12,196,349
-	-	-	678,001	-	-	678,001
-	-	-	1,278,373	-	-	1,278,373
-	-	-	14,387,409	-	-	14,387,409
-	-	-	179,310	-	-	179,310
-	921	-	306,761	-	209,281	516,042
-	476,431	(283,531)	394,950	-	-	394,950
-	-	(24,300)	424,916	-	-	424,916
-	-	(39,226)	-	-	-	-
-	-	-	2,683,781	(2,683,781)	-	-
-	477,352	(347,057)	3,989,718	(2,683,781)	209,281	1,515,218
-	477,352	(347,057)	57,137,917	(1,886,493)	209,281	55,460,705
-	438,126	(307,831)	50,218,371	-	-	50,218,371
512	-	-	1,171,562	-	-	1,171,562
-	-	-	1,647,903	-	-	1,647,903
512	438,126	(307,831)	53,037,836	-	-	53,037,836
(512)	39,226	(39,226)	4,100,081	(1,886,493)	209,281	2,422,869
512	1,959,493	(1,959,493)	9,410,927	2,823,814	1,000,000	13,234,741
-	(1,998,719)	1,998,719	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,511,008</u>	<u>\$ 937,321</u>	<u>\$ 1,209,281</u>	<u>\$ 15,657,610</u>

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2011

	Second Harvest without LANIAP				LANIAP**
	Program Services	Management and General	Fundraising	Totals	Management and General
Salaries	\$ 1,957,501	\$ 647,648	\$ 526,216	\$ 3,131,365	\$ -
Employee benefits	225,210	72,935	51,538	349,683	-
Payroll taxes	142,739	46,081	36,968	225,788	-
Total salaries and related expenses	2,325,450	766,664	614,722	3,706,836	-
Professional fees and contract services	124,032	160,895	184,983	469,910	-
Supplies	160,752	8,657	30,028	199,437	-
Equipment expense	274,052	77,023	29,246	380,321	-
Occupancy	935,927	3,491	22,376	961,794	-
Transportation and freight	855,443	3,920	5,556	864,919	-
Personnel recruitment and development	180,296	85,159	27,704	293,159	-
Insurance	70,787	-	-	70,787	-
Mailings and solicitations	113,425	593	721,109	835,127	-
Food distribution and procurement	44,446,250	-	-	44,446,250	-
Interest expense on mortgage	103,525	-	-	103,525	-
Other operating expenses	188,220	62,583	1,394	252,197	512
Depreciation	309,917	2,065	10,785	322,767	-
Total expenses	<u>\$ 50,088,076</u>	<u>\$ 1,171,050</u>	<u>\$ 1,647,903</u>	<u>\$ 52,907,029</u>	<u>\$ 512</u>

* Second Harvest LLC consolidated into Second Harvest on January 31, 2011. These columns represent activities from July 1, 2010 through January 31, 2011.

** Second Harvest ended its fiscal agent relationship on June 30, 2010.

Second Harvest LLC*		Eliminations	Totals			
Program Services	Total	Program Services	Program Services	Management and General	Fundraising	Totals
\$ -	\$ -	\$ -	\$ 1,957,501	\$ 647,648	\$ 526,216	\$ 3,131,365
-	-	-	225,210	72,935	51,538	349,683
-	-	-	142,739	46,081	36,968	225,788
-	-	-	2,325,450	766,664	614,722	3,706,836
210	210	-	124,242	160,895	184,983	470,120
-	-	-	160,752	8,657	30,028	199,437
-	-	-	274,052	77,023	29,246	380,321
-	-	(283,531)	652,396	3,491	22,376	678,263
-	-	-	855,443	3,920	5,556	864,919
-	-	-	180,296	85,159	27,704	293,159
53,521	53,521	-	124,308	-	-	124,308
-	-	-	113,425	593	721,109	835,127
-	-	-	44,446,250	-	-	44,446,250
231,026	231,026	-	334,551	-	-	334,551
25,179	25,179	(24,300)	189,099	63,095	1,394	253,588
128,190	128,190	-	438,107	2,065	10,785	450,957
<u>\$ 438,126</u>	<u>\$ 438,126</u>	<u>\$ (307,831)</u>	<u>\$ 50,218,371</u>	<u>\$ 1,171,562</u>	<u>\$ 1,647,903</u>	<u>\$ 53,037,836</u>

**SCHEDULE OF SUPPORT, REVENUE AND EXPENSES PREPARED
FOR THE UNITED WAY FOR THE GREATER NEW ORLEANS AREA**

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2012
(Unaudited)

FORM 1

FUNCTIONAL BUDGET SPREADSHEET		AGENCY TOTAL (Sum 2 + 3)	ADMINISTRATION FUNDRAISING Management and General	TOTAL PROGRAM SERVICES	PROGRAM SERVICES Second Harvest
		1	2	3	4
REVENUE: (For United Way request, indicate Goal Areas)					
1	4201 CLIENT GENERATED SELF SUPPORT	\$ 34,800,065	\$ -	\$ 34,800,065	\$ 34,800,065
2	5000 GOVERNMENT GRANTS/CONTRACTS	7,046,313		7,046,313	7,046,313
3	4800 OTHER FOUNDATIONS OR NATIONAL GRANTS	-		-	-
4	6700 OTHER REVENUE	1,054,708		1,054,708	1,054,708
5	TOTAL SELF GENERATED REVENUE	42,901,086	-	42,901,086	42,901,086
6	4702 UNITED WAY DESIGNATIONS	59,484		59,484	59,484
7	4703 CFC DESIGNATIONS	45,994		45,994	45,994
8	4704 OTHER UNITED WAY GRANTS	217,932		217,932	217,932
9	TOTAL REVENUE	323,410	-	43,224,496	43,224,496
10	4701 UNITED WAY GNO REQUEST	-		-	-
11	GRAND TOTAL REVENUE	\$ 43,224,496	\$ -	\$ 43,224,496	\$ 43,224,496
EXPENSES:					
12	7000 SALARIES	\$ 3,367,051	\$ 1,237,816	\$ 2,129,235	\$ 2,129,235
13	7100 BENEFITS	467,176	186,119	281,057	281,057
14	7200 TAXES	247,905	88,820	159,085	159,085
15	8400 OCCUPANCY EXPENSES	482,555	584	481,971	481,971
16	8700 TRAVEL & TRANSPORTATION EXP.	737,170	29,326	707,844	707,844
17	8100 OFFICE SUPPLIES	5,458	1,938	3,520	3,520
18	8600 PRINTING	715,788	625,907	89,881	89,881
19	8900 DIRECT ASSISTANCE TO INDIVIDUALS	37,937,890	-	37,937,890	37,937,890
20	9400 OTHER	1,960,915	522,129	1,438,786	1,438,786
21	GRAND TOTAL EXPENSES	\$ 45,921,908	\$ 2,692,639	\$ 43,229,269	\$ 43,229,269
22	NET DIFFERENCE	\$ (2,697,412)	\$ (2,692,639)	\$ (4,773)	\$ (4,773)

EXPENSES ANALYSIS:

23-Total Direct Program Expenses	\$ 43,229,269
24-Percent of Total Program Expenses	100%
25-Distribution of M & G Expenses	\$ 2,692,639
26-Grand Total Program Expenses	\$ 45,921,908
27-Projected Undup. People Served	262,800
28-Cost per Person	\$ 175

See Accountant's Disclaimer of Opinion

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Archbishop or Administrator of the
Archdiocese of New Orleans, and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

We have audited the financial statements of Second Harvest Food Bank of Greater New Orleans and Acadiana (a nonprofit organization) ("Second Harvest") as of and for the year ended June 30, 2012 and have issued Our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Second Harvest is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Second Harvest's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Second Harvest's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was *not an objective of our audit and*, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, Second Harvest's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
December 17, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Archbishop or Administrator of the
Archdiocese of New Orleans, and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

Compliance

We have audited the compliance of Second Harvest Food Bank of Greater New Orleans and Acadiana (a nonprofit organization) ("Second Harvest"), with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. Second Harvest's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Second Harvest's management. Our responsibility is to express an opinion on Second Harvest's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Second Harvest's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Second Harvest's compliance with those requirements.

In our opinion, Second Harvest complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of Second Harvest is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Second Harvest's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Second Harvest's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, Second Harvest's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
December 17, 2012.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2012

<u>Federal Grantor / Pass-Through Agency / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture:		
<u>Pass-through Programs From:</u>		
<u>Louisiana Department of Agriculture and Forestry:</u>		
Emergency Food Assistance Program (Commodities)	10.569	\$ 6,141,293
Emergency Fund Assistance Program (Administrative Costs)	10.568	329,897
Child and Adult Care Food Program	10.558	78,017
<u>Louisiana Department of Education:</u>		
Summer Food Service Program	10.555	343,605
United States Department of Homeland Security:		
Emergency Food and Shelter National Board Program	97.024	55,459
Total expenditures of federal awards		<u>\$ 6,948,271</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"). Second Harvest's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2012. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies.

b. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to Second Harvest's financial statements for the year ended June 30, 2012.

c. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2012.

Note 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal revenues of \$6,948,271 are reported on the Statement of Activities as unrestricted fees and grants from federal agencies of \$477,081, *U.S.D.A.* commodities of \$6,141,293, and *U.S.D.A.* administration of \$329,897.

Note 3 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2012

Section 1 - Summary of Auditor's Results

a) Financial Statements

Type of report issued on the financial statements: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ no

Noncompliance material to the financial statements noted? ☐ yes ☒ no

b) Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ☐ yes ☒ no

Section 1 - Summary of Auditors' Results (Continued)

c) Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.569	Emergency Food Assistance Program (Commodities)
10.555	Summer Food Service Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes X no

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements****Internal Control Over Financial Reporting**

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2012.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2012.

Compliance and Other Matters

There were no compliance findings material to the financial statements were reported during the audit for the year ended June 30, 2012.

Section III - Federal Award Findings and Questioned Costs**Internal Control and Compliance Material to Federal Awards**

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2012 related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2012

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2011.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2011.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2011.

Section II - Internal Control And Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2011 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2011.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2012

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of financial statements for the fiscal year ended June 30, 2012.

No significant deficiencies were noted during the audit of the financial statements for the fiscal year ended June 30, 2012.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the fiscal year ended June 30, 2012.

Section II - Internal Control And Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2012, related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2012.